

Minneapolis Community Development Agency

## Request for City Council Action

Date: April 22, 2003

To: Council Member Lisa Goodman, Chair, Community Development  
Committee

Prepared by George Kissinger, Senior Project Coordinator, Phone 612-673-5014.

Approved by Chuck Lutz, Deputy Executive Director \_\_\_\_\_

**Subject: Informational Report, Brookfield Mediation.**

**Previous Directives:** Mediation Settlement Agreement was approved November 8, 2002.

**Ward:** 7.

**Neighborhood Group Notification:** Not applicable.

**Consistency with *Building a City That Works*:** Not Applicable.

**Comprehensive Plan Compliance:** Not Applicable.

**Zoning Code Compliance:** Not Applicable.

**Impact on MCDA Budget:** (Check those that apply)

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

**Living Wage / Business Subsidy:** Not Applicable.

**Job Linkage:** Not Applicable.

**Affirmative Action Compliance:** Not Applicable.

**RECOMMENDATION:** That this informational report be received and filed.

Crown Roller Mill,  
105 Fifth Ave. S., Suite 200  
Minneapolis, MN 55401-2534  
Telephone: (612) 673-5095  
TTY: (612) 673-5154  
Fax: (612) 673-5100  
www.mcda.org

## **Background**

On November 1, 2002, the MCDA and Brookfield Market and Brookfield Investment, Inc. (Brookfield) entered into mediation that resulted in a Settlement Agreement that is intended to essentially provide marketable title, free of any claims of interest by one party over the ownership of the other party's real estate on the Gaviidae I property (the so-called Saks and North Parcels). In addition, the Settlement Agreement calls for the parties to enter into a Reciprocal Easement and Operating Agreement (REOA) that will provide for overall property management of the two parcels including the equitable sharing of revenues and expenses. All pending litigation is stayed subject to approval by the parties of all terms of the REOA.

An initial 90-day period was established in the Settlement Agreement for satisfaction of these terms with an automatic additional 90-day period, if necessary.

## **Current Status**

In terms of timing, the full mediation period, including the initial 90 days and the automatic 90 day extension, ends at the end of April. An extension will be needed to complete the REOA. At this time we are recommending an additional 60 days. An extension must be mutually agreed to by the parties. As of the writing of this report, Brookfield has informally indicated agreement to the proposed extension and it is hoped that formal confirmation by Brookfield will be available by the time of this committee meeting. All indications are Brookfield will want to extend the Mediation period and to complete and execute the called-for REOA. Prior to the end of this month a complete status report on the Mediation should be filled the appointed Mediator.

After the considerable amount of time required for Brookfield to assemble all of the existing leases, non-disturbance agreements and building service contracts and after completing the necessary survey work and identifying all actual income and expense items, each party has now presented a concept formula for the sharing of the Gaviidae I Building income and expenses. However, there is yet no base agreement here upon which the new REOA can be structured. That is the next step and Brookfield is currently working on a compromise proposal.

The recent departure of key Brookfield management has undoubtedly slowed down the negotiation process. Up to the change in local Brookfield management there had been weekly negotiation meetings. There have been no meetings the past two weeks but we have been in contact with Brookfield's attorneys and we expect these meeting to resume shortly.

In the mean time, Brookfield has kept current in passing on to the MCDA the Saks' monthly rent as well as other property income. Brookfield has also, under the terms of the Settlement Agreement, covered the cost of the Mediation and initial costs of the REOA such as the survey of the two separate ownership parcels.